



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CAMPBELL COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
CALENDAR YEAR 1999
FEE AUDIT

On June 19, 2000, fieldwork was completed on the December 31, 1999 Campbell County Clerk's fee audit. An unqualified opinion was rendered on the financial statements.

Audit Finding: The County Clerk Should Have Had A Written Agreement To Protect Deposits.

From January 1, 1999 through June 9, 1999, the County Clerk did not have a collateral security agreement with their depository institution.

No reportable conditions or noncompliances relating to the audit of the financial statements were reported.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expense of the fee official. The remaining twenty-five percent (25%) of fees is deposited to the county fiscal court fund and periodically paid to the county government. As of December 31, 1999, there was a fund balance of \$1,907 in the Campbell County Clerk's Operating Fund. A total of \$327,454 has been paid to the fiscal court from the County Fund with the State Treasurer.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Steven Pendery, Campbell County Judge/Executive

Honorable Jack Snodgrass, Campbell County Clerk

Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Campbell County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operations fund and county fund with the State Treasurer for the year ended December 31, 1999. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the statement of receipts, disbursements, and fund balances of the County Clerk's operations fund and county fund with the State Treasurer for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have Had a Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated June 19, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 19, 2000

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1999

Receipts

State Grant		
Library and Archives	\$	49,605
State Fees For Services		33,411
Fiscal Court		57,039
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	1,488,391
Usage Tax		7,051,740
Tangible Personal Property Tax		5,409,670
Licenses-		
Marriage		33,288
Deed Transfer Tax		257,985
Delinquent Tax		685,728
		<hr/> 14,926,802
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$	36,124
Real Estate Mortgages		85,052
Chattel Mortgages and Financing Statements		144,113
Powers of Attorney		3,366
All Other Recordings		194,855
Other		2,019
Charges for Other Services-		
Candidate Filing Fees		210
Copywork		39,086
		<hr/> 504,825
Other:		
Postage	\$	31,685
Salary		28,341
Miscellaneous		8,095
		<hr/> 68,121
Interest Earned		<hr/> 8,265
Gross Receipts (Carried Forward)	\$	15,648,068

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward) \$ 15,648,068

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,101,275	
Usage Tax	6,836,712	
Tangible Personal Property Tax	1,641,970	
Delinquent Tax	93,528	
Legal Process Tax	<u>72,841</u>	\$ 9,746,326

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 443,655	
Delinquent Tax	61,785	
Deed Transfer Tax	<u>245,084</u>	750,524

Payments to Other Districts:

Tangible Personal Property Tax	\$ 3,159,275	
Delinquent Tax	<u>356,062</u>	3,515,337

Payments to Sheriff 14,851

Payments to County Attorney 111,012

Library and Archives 49,605

Operating Disbursements:

Refund of Overpayments	52,879	
Miscellaneous	<u>3,161</u>	

Total Disbursements 14,243,695

Net Receipts \$ 1,404,373

Payments to State Treasurer:

75% Operating Fund	\$ 1,076,919 *	
25% County Fund	<u>327,454</u>	<u>1,404,373</u>

Balance Due at Completion of Audit \$ 0

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

December 31, 1999

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1999	\$ 0	\$ 0	\$ 0
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,076,919		1,076,919
Fees Paid to State - County Funds (25%)		327,454	327,454
	<u>\$ 1,076,919</u>	<u>\$ 327,454</u>	<u>\$ 1,404,373</u>
<u>Disbursements</u>			
Campbell County Fiscal Court	\$	\$ 327,454	\$ 327,454
Personnel Services-			
Official's Statutory Maximum	74,269		74,269
Deputies Salaries	571,359		571,359
Part-Time Salaries			
Overtime Gross	29,549		29,549
Employee Benefits-			
Employer's Share Social Security	55,043		55,043
Employer's Share Retirement	57,905		57,905
Employer's Paid Health Insurance	95,786		95,786
Clerk's Expense Allowance	3,600		3,600
Materials and Supplies-			
Office Supplies	66,762		66,762
Other Charges-			
Memberships and Meetings	4,657		4,657
Phone	55,010		55,010
Delivery Charges	1,537		1,537
Maintenance	3,101		3,101
Postage	20,415		20,415

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
 FUND AND COUNTY FUND WITH THE STATE TREASURER
 December 31, 1999
 (Continued)

	75% Operating Fund	25% County Fund	Totals
Other Charges- (Continued)			
Computer Equipment and Supplies	\$ 11,020	\$	\$ 11,020
Advertising	830		830
Travel	7,094		7,094
Printing	9,000		9,000
Miscellaneous	8,075		8,075
	<u> </u>	<u> </u>	<u> </u>
Total Disbursements	\$ 1,075,012	\$ 327,454	\$ 1,402,466
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31, 1999	\$ 1,907	\$ 0	\$ 1,907
	<u> </u>	<u> </u>	<u> </u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, as of April 12, 1999 the depository institution did not have a written agreement with the County Clerk securing the Clerk's interest in the collateral.

Note 4. Library and Archives Grant

During calendar year 1999, the County Clerk maintained an account for their Library and Archives Grant. There was a beginning balance at January 1, 1999, of \$44,516. Additional grant money of \$7,146 was received and interest of \$730 was earned. Funds totaling \$49,605 were expended during calendar year 1999. The unexpended grant balance was \$2,787 as of December 31, 1999.

Note 5. Bond Account

During calendar year 1999 the County Clerk maintained a bond account. When a mechanics lien is filed, funds can be deposited into this account until the dispute has been settled. This account had a beginning balance of \$1,037. Interest earned was \$109 and additional receipts were \$29,878, leaving a balance of \$31,024 as of December 31, 1999.

COMMENT AND RECOMMENDATION

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1999

STATE LAWS AND REGULATIONS:

The County Clerk Should Have Had A Written Agreement To Protect Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of April 12, 1999, the County Clerk had bank deposits of \$898,439; FDIC insurance of \$100,000; and collateral pledged or provided of \$1,161,644.45. Even though the County Clerk obtained sufficient collateral of \$1,499,766, at that time there was no written agreement between the County Clerk and the depository institution, signed by both parties, securing the County Clerk's interest in the collateral. The County Clerk obtained a written agreement dated June 10, 1999. We recommend the County Clerk always maintain a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response:

Clerk is at the mercy of the bank to receive a written confirmation. This clerk started proceedings for this agreement in October 1998. Clerk had pledges and has provided a letter from bank showing monies were pledged from 1/1/99.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Campbell County Clerk as of December 31, 1999, and have issued our report thereon dated June 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Clerk's financial statements as of December 31, 1999, are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 19, 2000

